

In the Matter of A Filing Regarding the Rates of Peoples Natural Gas Company, a Division of UtiliCorp United, Inc., Relating to Rate Adjustments Due to the Tax Reform Act of 1986

ISSUE DATE: November 23, 1987

DOCKET NO. G-006/M-87-460

ORDER ACCEPTING TAX REFORM ACT
COMPLIANCE FILING AND GRANTING
RULE VARIANCE IN CALCULATION OF
RATE REDUCTIONS AND REFUNDS

PROCEDURAL HISTORY

On August 18, 1987 the Minnesota Public Utilities Commission (the Commission) approved the sale of Iowa Electric Light and Power Company's (Iowa Electric's) gas distribution system and related facilities located in Fairmont, Minnesota to Peoples Natural Gas Company, a division of UtiliCorp United, Inc. (Peoples or the Company). Docket No. G-006/M-87-303.

In the same Order, the Commission granted Iowa Electric a rule variance relieving it of its obligation under Minn. Rules parts 7827.0100 to 7827.0600 to adjust its rates and make any necessary refunds due to decreased costs resulting from the Tax Reform Act of 1986. The variance was granted because Peoples agreed to assume Iowa Electric's responsibilities under Minn. Rules, parts 7827.0100 to 7827.0600. Docket No. G-006/M-87-460.

On August 31, 1987 Peoples filed with the Commission its rate reduction and refund proposal pursuant to the provisions of Minn. Rules, parts 7827.0100 to 7827.0600. The proposal was based on figures supplied to Peoples by Iowa Electric and complied with the requirements of the Rules. The proposal reduced Peoples' annual revenue requirement by \$18,360.52. The Commission took no action on this filing, however, because shortly thereafter Peoples informed the Commission that it intended to make a revised filing due to apparent inaccuracies contained in the August 31 filing.

On October 22, 1987 Peoples filed with the Commission a revised rate reduction and refund proposal reducing its annual revenue requirement by \$28,798.00, instead of the original \$18,360.52. Peoples explained that upon review it had concluded that the normalized data supplied by Iowa Electric for purposes of calculating Tax Reform Act rate reductions and refunds may have been inaccurate. This conclusion was based on two facts. One was that the data supplied indicated lower normalized sales than actual sales during a period of abnormally warm weather. The other was that

reductions and refunds computed for its other Minnesota operations. Those rate reductions and refunds were computed in accordance with the requirements of Minn. Rules, part 7827.0400.

FINDINGS AND CONCLUSIONS

The issues facing the Commission are whether the computation method proposed by the Company is necessary, whether it is sound, whether it complies with the spirit and purpose of the Rule, and whether the Commission should grant a variance from the computation requirements of Minn. Rules, part 7827.0400 and approve the compliance filing using the computation.

The Commission finds that the Company is correct in its assertion that the normalized sales figures supplied by Iowa Electric are inaccurate and do not provide a sound basis for computing rate reductions and refunds for Tax Reform Act purposes. The Commission also finds that the calculation procedure proposed by the Company will result in reasonably accurate rate reductions and refunds.

The Commission finds that attempting to secure more accurate normalized sales figures from Iowa Electric at this point is neither cost-efficient nor necessary. In light of the fact that Iowa Electric no longer owns the facilities in question, it might very well prove futile. Given the reasonableness of Peoples' proposed method of calculation and the fact that method is based on rates derived using the formula set forth in the Rules, the Commission concludes that Peoples' proposal is reasonable.

The Commission may grant a variance from any of its rules upon finding that the following conditions apply:

1. Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
2. Granting of the variance would not adversely affect the public interest; and
3. Granting of the variance would not conflict with standards imposed by law.

Minn. Rules, part 7830.4400.

The Commission finds that enforcing the rules on calculating rate reductions and refunds due because of the Tax Reform Act would impose an excessive burden upon the applicant, Peoples, and its customers, in that it would result in smaller, less accurate rate reductions and refunds than Peoples' proposal. The Commission finds that granting the variance requested will not adversely affect the public interest. In fact, it will be in the public interest, because it will result in customers

contained in Peoples' filing are just and reasonable under the Tax Reform Act of 1986, and the Commission will approve the filing.

ORDER

1. Peoples Natural Gas Company is hereby granted a variance from Minn. Rules, part 7827.0400, to allow the Company to base its rate reductions and refunds due to the Tax Reform Act of 1986 for its Fairmont operations on the rate reductions and refunds it has computed for its other Minnesota operations.
2. The Company's Tax Reform Act compliance filing, which incorporates the terms of the variance granted herein, is hereby accepted and approved.
3. Peoples Natural Gas Company is hereby required to file revised tariff pages reflecting the rate reductions discussed herein within 10 days of the date of this Order. The rate reductions shall go into effect no later than 30 days from the date of this Order.
4. No later than 60 days from the date of this Order, Peoples Natural Gas Company shall make the refunds required hereunder, with interest from July 1, 1987 at the average prime rate, either as a one-time credit on each customer's bill or by check. Within 30 days of the completion of the refund process, Peoples shall file a report with the Commission showing the actual amounts refunded by class and the interest rate applied.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)